

A U.S. House panel voted in favor of a new consumer financial protection agency on Thursday, giving the Obama administration an early boost in its effort to overhaul regulation of the financial services industry.

The House Financial Services Committee, voting primarily along party lines, approved by a vote of 39-29 a measure that would consolidate oversight over many of the financial products offered to consumers, including mortgages, credit cards and even individuals' credit reports. The new agency, to be called the Consumer Financial Protection Agency, would draw oversight authority from a number of separate government agencies.

The agency is a key portion of the broader regulatory overhaul effort the Obama administration is pushing for Congress to finish by the end of the year. The Financial Services panel already approved changes to regulation of derivatives and is scheduled to act by the end of the month on the government's ability to wind down large financial services firms.

Panel Democrats, led by Chairman Barney Frank, D-Mass., rejected attempts by Republicans to neuter the new agency's authority to levy penalties and to rule on the fees financial firms charge. Still, the majority did scale back the powers envisioned for the agency by the Treasury Department, carving out a number of exemptions that could become more extensive as the measure continues through the legislative process.

The biggest victors were smaller banks and credit unions, which used their legislative muscle to avoid scrutiny from the new agency. Banks with less than \$ 10 billion and credit unions with less than \$1.5 billion of assets - which covers the vast majority of U.S. banks - would have to follow the new agency's rules, but enforcement would fall to existing regulators.

Small banks still have concerns about the new agency, however.

Jeff. W. Dick, chief executive of Main Street Bank in Herndon, Va., said the new agency would make it difficult for smaller lenders to compete with big banks by customizing their products and services.

"What's the need for someone to come bank with me and how do I differentiate myself?" he told reporters at a GOP-sponsored press conference.

Another key amendment approved by the panel would make significant changes to the interplay between state and federal banking laws, which has favored the federal government in recent years. States would have the ability to write their own consumer laws that go beyond federal restrictions, but those statutes could be preempted by the federal government if they are found to "significantly interfere" with the ability of national banks to engage in their business.

The CFPA, while wielding significant new powers, wouldn't be able to dictate what financial products banks and other firms are able to offer. Products such as credit, mortgage and title insurance would be exempted from the agency's purview, and the "vast majority" of retail transactions where credit is offered wouldn't be covered. The panel also voted to exclude auto dealers from the new agency following a bipartisan vote on an amendment by Rep. John Campbell, R- Calif.

Panel Republicans, speaking at a press conference before the vote, blasted the agency, saying it would prolong the downturn and hurt the choices available to consumers.

Rep. Spencer Bachus of Alabama, the panel's top Republican, contended the agency's director would have "total discretion" to issue regulations and set fees - setting him or her apart from all other federal agency heads.

"That (is something) we have never had in the history of our country," he told reporters.

Rep. Jeb Hensarling, R-Texas, argued the legislation sent a message to consumers that they were "either too ignorant or too stupid" to choose their own financial products.